



CITY COUNCIL AGENDA REPORT

MEETING DATE: October 20, 2009

ITEM NUMBER: **VIII-2**

**SUBJECT: REQUEST BY COUNCIL MEMBER MONAHAN FOR ANALYSIS OF REDUCTION OF ABLE FLIGHT HOURS;
BUDGET ADJUSTMENT FOR REIMBURSEMENT OF INSURANCE PREMIUMS AND
REIMBURSEMENT OF SANTA ANA POLICE CONTRACTED SERVICES TO ABLE**

DATE: JULY 29, 2009

FROM: POLICE DEPARTMENT- SUPPORT SERVICES DIVISION, AERO BUREAU

PRESENTATION BY: CAPTAIN RON SMITH, SUPPORT SERVICES DIVISION COMMANDER

FOR FURTHER INFORMATION CONTACT: CAPTAIN RON SMITH 714-754-5394

RECOMMENDED ACTION:

Review the analysis of the potential impacts of the reduction of flight hours by ABLE helicopter services.

Approve the attached Budget Adjustment BA #10-006 in the total amount of \$88,369 to reflect increased revenues of \$37,647 for the reimbursement of expanded contractual services provided by ABLE to the Santa Ana Police Department and to reflect increased revenues of \$50,722 for reduced insurance premiums incurred by the ABLE program.

BACKGROUND:

At the June 16, 2009 City Council meeting, Councilmember Monahan requested staff to provide an analysis of the impact of reducing the number of flight hours by the ABLE helicopter program as a possible measure to cut expenditures by the City of Costa Mesa.

The AirBorne Law Enforcement (ABLE) Services is a Joint Powers Authority (JPA) of the cities of Costa Mesa and Newport Beach to provide regional law enforcement helicopter services to the respective jurisdictions. ABLE is managed by a Board of Governors, comprised of the Police Chiefs and one respective Captain each from the Costa Mesa and Newport Beach Police Departments. ABLE also provides contract air support services to the City of Santa Ana through a service agreement.

During the Fiscal Year 2009-2010 budget cycle, the Costa Mesa Police Department, in conjunction with the Newport Beach Police Department as the partner agency in ABLE, has explored various options to increase revenues and decrease expenditures for helicopter services. To date in Fiscal Year 2009-2010, the City of Costa Mesa has already reduced some expenditures and has realized some increased revenue over Fiscal Year

2008-2009 in its participation in the ABLE program. Further, the City of Costa Mesa anticipates an expenditure savings via salary and benefits reduction from personnel attrition through the intended retirement of a Costa Mesa pilot later in this Fiscal Year. These expenditures and revenues are discussed briefly as follows:

Regarding the Fiscal Year 2009-2010 expenditures for ABLE, the City of Costa Mesa already has adopted the two following reductions in contributions to ABLE:

(1) Overtime for Costa Mesa pilots was reduced from \$66,000 in Fiscal Year 2008-2009 to \$35,769 in Fiscal Year 2009-2010 for a savings of \$30,231 in the General Fund 101.

(2) Professional Development funds to train one new Costa Mesa pilot were reduced by \$82,000 from the General Fund 101. The ABLE Board of Governors authorized that the training of one new pilot from each city for Fiscal Year 2009-2010 would not be borne by the cities of Costa Mesa and Newport Beach, but rather will be funded from the undesignated fund balance of the ABLE Joint Powers budget as reflected in Fund 260.

In addition to these adopted reductions in the Professional Development and overtime expenditures, the City of Costa Mesa has already recognized fiscal year to date the following two increases in revenue which have not been as yet adopted into the Fiscal Year 2009-2010 budget:

(1) Beginning in July, the City of Costa Mesa will realize an additional cost savings in the reduction of insurance premiums that is not yet accounted for in the current budget. By recently negotiating with another aviation insurance vendor, the premiums for special liability, aircraft liability and physical damage have been reduced from \$175,762 in Fiscal Year 2009-2010 in Fund 260 to the new rate of \$74,318 for a savings of \$107,444 for the ABLE program, which, in turn, increases the reimbursement to the City of Costa Mesa for its one-half share to \$50,722. The attached Budget Adjustment BA #10-006 authorizes the adjustment of this amount to account for this increase in revenue.

(2) ABLE also will realize an increase in revenue which is not yet accounted for in the General Fund 101. Effective the beginning of this current fiscal year, the City of Santa Ana received funding from the Urban Area Security Initiative (UASI) which enabled the City of Santa Ana to increase its service agreement contribution to ABLE from \$245,000 to \$320,294 for increased service coverage. The City of Costa Mesa will benefit from this increase and will realize \$37,647 in revenue, as its one-half share of this increase. The City will record this revenue as reimbursement in the General Fund 101 under Revenue by Other Government Agencies. The attached Budget Adjustment #10-006 amends the current fiscal year budget to account for this increase in revenue.

In another cost savings option that has been explored, the City of Costa Mesa may recognize a potential savings in the reduction of salary and benefits through a possible service retirement of one of the Costa Mesa Police pilots. One Costa Mesa Police pilot has stated his intention of retiring later this calendar year. The intent of the Board of Governors is to not replace this pilot for the remainder of the current Fiscal Year, deferring the replacement of that position until Fiscal Year 2010-2011. Should the retirement occur, the potential savings of salary and benefits by attrition through the

remainder of the Fiscal Year 2009-2010 would be approximately \$95,000, depending on the exact date of separation. Because this announced intention of retirement has not been finalized, the salary and benefits will remain fully funded in the General Fund 101 and no consideration of a budget adjustment will be given until that time.

In summary, the total reduction in expenditures for the City of Costa Mesa for all of the above realized and as yet unrealized savings is approximately \$207,231, depending on the date of separation of the Costa Mesa Police pilot. This represents a decrease in expenditures of about 9.9% from the previous Fiscal Year 2008/2009. The additional reimbursement of \$88,369 from the increased Santa Ana Police Department service agreement and the decreased insurance premiums represents an increase in revenue of about 26.6% over Fiscal Year 2008/2009.

ANALYSIS:

As stated above, in the preparation stages of the Fiscal Year 2009-2010 budget cycle, consideration was given to several options to increase revenues and cut expenditures for the helicopter program. One of the several options explored was the possibility of reducing flight hours. There are number of components that were analyzed under this option. One component is understanding the two ways reduced hours could potentially cut costs:

- (1) One avenue of cutting costs through reduced flight hours is the result of cutting Direct Operating Costs. Aircraft manufacturers and operators can establish Direct Operating Costs through a variety of methods. For the EC120 Eurocopter flown by ABLE, the Direct Operating Costs has been established by the manufacturer as \$255 per hour. This cost takes into account the average burn rate of fuel and lubricants, the scheduled maintenance and replacement of parts, and the restoration and overhaul of major components such as engines, gearboxes, and blades for each hour of flight. Unlike some other methods of calculating this dollar amount, this figure does not include the costs of salary or benefits of the pilots. Some of these costs, such as fuel consumption, are an immediate savings. Other costs, such as scheduled maintenance and overhaul of components, are deferred to a later date. Any savings realized through reduction in the Direct Operating Costs by reduced flight hours is split equally among the two member agencies - Costa Mesa and Newport Beach - effectively making the rate \$127.50 per hour for each city.
- (2) Another way in which reduced flight hours potentially could reduce costs is by reassigning pilots during non-flight shifts to other duties, where staffing levels are below minimum standards. A cost savings is then realized by not having to pay time and a half overtime compensation or by not having to hire additional officers to fill those required shifts. Any salary savings through this method is entirely contingent on the availability of particular shifts which are understaffed and require personnel to work those shifts to achieve minimum staffing levels. As the salary costs would entail only Costa Mesa Police pilots, any recognized savings would accrue solely to the City of Costa Mesa.

The option of reduced flight hours would impact the scheduling of ABLE personnel and the level of service delivered. When weighing the option of reduced flight hours, one must bear in mind that any such change cannot be imposed unilaterally by the City of Costa Mesa, but rather the decision requires the approval by the Board of Governors

due to ABLE's status as a Joint Powers Authority. As such, the needs and desires of the Newport Beach Police Department, as a full partner in ABLE, and the contractual obligation to the City of Santa Ana must be considered as well. Any significant change in flight hours and the attendant alterations of scheduling of ABLE directly impact the scheduling of Newport Beach Police and Santa Ana Police personnel and the level of service delivered to those two cities. The Santa Ana Police Department liaison to ABLE has stated that the City of Santa Ana wants to maintain the level of service to Santa Ana as specified in the new service agreement. The Newport Beach Police representatives on the Board of Governors have indicated that as of this date, the City of Newport Beach has no need to reduce flight hours and no desire to decrease service levels. They have expressed, however, a willingness to accommodate the City of Costa Mesa in this current situation to the extent that reasonable levels of service to the City of Newport Beach are still maintained. They have stated that reducing no more than 10 hours of flight time per week would be reasonable for the duration of the current fiscal year. At the June 2009 ABLE Board of Governors' meeting, the Newport Beach representatives stated they would prefer to reduce the 10 hours as a full day's worth of flight time once a week as opposed to shortening a proportional amount of flight time each day. The drawback to shortening the flight hours on a daily basis is that the additional non-flight time becomes largely unproductive time for the pilots on the ground.

Using 10 hours per week of reduced flight times, the potential cost savings can be considered using the two methods discussed earlier:

- (1) Using the Direct Operating Costs method, an estimate can be determined for total savings, keeping in mind that much of the Direct Operating Costs are deferred costs, as opposed to fuel consumption which is an immediate cost savings. Currently, the ABLE program flies two shifts per day every day of the week, weather permitting. The reduction of one day's worth of flights is equivalent to 10 hours of reduced Direct Operating Costs at \$255/hour for a savings of \$2,550 per week or \$132,600 annually for the ABLE program, which translates to \$1,275 per week or \$66,300 annually for the City of Costa Mesa for its one-half share.
- (2) The costs savings involved by reassigning the pilots is more complicated to figure as there are many variables affecting the availability of shifts requiring personnel to fill the vacancy. The only required minimum staffing levels set are for the basic Patrol teams, established not only for delivery of services, but for safety. While the Costa Mesa Police Department faces the potential of reduced overall numbers of sworn officers through possible attrition, layoffs, and early retirements, plus additional hours reduced for work through furloughs, the Patrol teams are to maintain full staffing per City Council direction. One way to help accomplish this full staffing of basic Patrol teams is through transfers of existing officers from other divisions, bureaus, and details that do not set minimum staffing levels for safety purposes, such as the Gang Detail, the Special Enforcement Detail (SED), Traffic and Detectives Bureaus. Given that it is difficult to predict the full impact of the reduction of personnel and available work hours, an estimated bracketing of the potential savings can be provided as follows: If, on the one hand, minimum staffing requirements were completely achieved through transfers of officers from the above listed bureaus and details, then there is no cost savings realized by reassigning the pilots as well. If, on the other hand, the

pilots are reassigned on each non-flight day to cover a 10-hour Patrol shift requiring minimum staffing each week, then the savings in overtime would be approximately 520 hours per year times the average overtime rate of about \$60 per hour for a total annualized savings of about \$31,200.

As mentioned before, reduced flight hours will reduce service levels. As examples of services delivered, ABLE pilots are directly involved with making observations leading to arrests of criminals, rescues of ocean swimmers and wilderness park hikers and bikers, conducting criminal surveillances, locating lost children and dependent adults, broadcasting vehicular pursuits, and cancelling ground units to calls that are unfounded, which promotes ground unit efficiency. The ABLE crew maintains a record of all these above listed activities.

One way to gauge the impact of reducing flight hours is to project the loss of services based on the hourly average of these activities. On a 3-year average of Fiscal Years 2006/2007 through 2008/2009, the ABLE program responded to about 3,322 calls per year. During the same 3-year period, ABLE flew an average of 3,288 hours per year. A reduction of one 10 hour day's worth of flight per week is the equivalent of 520 less flight hours over Newport Beach and Costa Mesa per year, which equates, on the average, to ABLE responding to 525 fewer incidents per year.

Another consideration in reducing flight hours is the assisting of non-subscriber law enforcement agencies who request the services of ABLE on a fee basis of \$1,245.91 per hour. Using the same 3-year baseline as above, ABLE responded to requests for assistance from non-subscriber agencies an average of 300 incidents per year at an average of 102 hours of flight time per year. A reduction in 520 hours per year, using the same method of prorating the hourly averages, would result in ABLE responding to about 15.8% fewer incidents for other law enforcement agencies. Using the 3-year baseline as above, reducing the response for outside agency requests for assistance is the equivalent of \$6,230 loss of revenue to ABLE, or \$3,115 for the one-half share to the City of Costa Mesa.

While these averages may not exactly convert into the actual dollar amounts, hours of flight time, or percentages given above, they do provide ball park figures of the potential loss of services and revenues commensurate with the reduction of hours.

It is because of these reductions in services and revenues that the ABLE Board of Governors on August 27, 2009 voted in support of a recommendation against the reduction of flight hours. See the attached Recommendation to the ABLE Board of Governors Re: Reduced Flight Hours Memorandum for further information.

ALTERNATIVES CONSIDERED:

1. Take no further action.
2. Approve Budget Adjust BA #10-006 to reflect in the Fiscal Year 2009-2010 budget the increase in revenue from the increased contractual amount in the Santa Ana Police Service Agreement and the reimbursement of insurance premiums.
3. Direct staff, in conjunction with the Newport Beach Police Department, to further study the details involved with the implementation of reduced flight hours as more specifics become available regarding a Police Department reorganization concerning reduced total number of sworn officers, actual personnel transfers, retirements, furloughs, and minimum staffing levels.

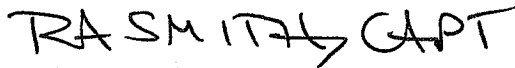
4. Direct staff to develop and implement a schedule for the ABLE program reducing the hours as determined by the Council.

FISCAL REVIEW:

The Finance Department has prepared the attached Budget Adjustment BA #10-006.

LEGAL REVIEW:

No legal review is required on this matter.



RON SMITH

Support Services Division Commander



CHRISTOPHER SHAWKEY

Chief of Police



BOBBY YOUNG

Budget & Research Officer

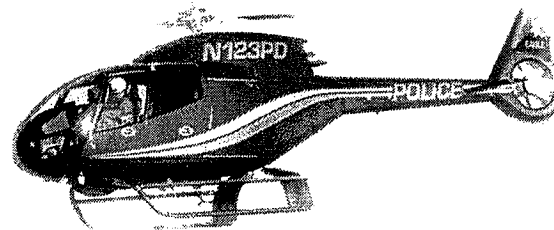
DISTRIBUTION: City Manager
City Attorney
Finance Director
City Clerk

ATTACHMENT: 1. Recommendation to the ABLE Board of Governors Re: Reduced Flight Hours

ATTACHMENT: 2. Budget Adjustment BA #10-006

ABLE

AirBorne Law Enforcement Services



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August 18, 2009

TO: ABLE BOARD OF GOVERNORS

FROM: SERGEANT TIM STARN, ABLE COMMANDER

SUBJECT: RECOMMENDATION AGAINST REDUCED FLIGHT HOURS

Chief Christopher Shawkey
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The City of Costa Mesa formed an air unit in 1970. At the time, the City recognized the advantages of an aerial platform to better serve and protect the community from above. This service provided a force multiplier to ground officers and significantly decreased response times for calls. Further, it enhanced the capture rate of in-progress criminal activity, which related to decreased investigation time pertaining to follow up efforts, and helped reduced crime rates in higher impacted areas.

In the early 1990's, Costa Mesa Police staff were directed to research the feasibility of a regional air unit. Realizing the potential for savings and increased service, Costa Mesa and Newport Beach formed a Joint Powers Agency (JPA), and Airborne Law Enforcement Services (ABLE) was created.

To further offset ABLE's expenditures, the Board of Governors agreed to share a hangar and maintenance personnel costs with the Orange County Sheriff's. During the first year of operation, ABLE saved each city \$500,000.

Since ABLE has been in existence, they have established a reputation with all of the communities they serve for their dedication to service through call responses, participation in community events, and Citizen Police Academies. They are highly recognized throughout the Nation as a professional air unit with a role model business plan of cost sharing. For the past 14 years, ABLE personnel have received countless awards for incidents involving life saving, high profile arrests, prevention of officer involved shootings, handling of vehicular pursuits, and others.

At the July 16, 2009 ABLE Board of Governors Meeting, I gave a brief presentation to the Board highlighting the important services provided by ABLE to our communities. I also summarized the cuts made already in the ABLE budget for this fiscal year. The Board indicated that the cuts made already appeared to be sufficient. As I stated in my presentation, I am concerned that our communities and officers would be negatively impacted if flight hours were reduced.

For these reasons, I, as the ABLE Commander, am recommending against cutting further expenses by reducing the number of flight hours.

A handwritten signature in black ink, appearing to read 'T. Starn', written over a horizontal line.

ABLE COMMANDER TIM STARN

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